

BASS, BERRY & SIMS PLC

A PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW

T. G. PAPPAS
TEL: (615) 742-6242
FAX: (615) 742-6293

315 DEADERICK STREET, SUITE 2700
NASHVILLE, TENNESSEE 37238-0002
(615) 742-6200

KNOXVILLE OFFICE:
1700 RIVERVIEW TOWER
KNOXVILLE, TN 37901-1509
(423) 521-6200

MEMPHIS OFFICE:
100 PEABODY STREET, SUITE 950
MEMPHIS, TN 38103
(901) 312-9100

December 12, 2000

VIA HAND DELIVERY

Mr. K. David Waddell
Executive Secretary
TENNESSEE REGULATORY AUTHORITY
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

00-0124

RE: Special Contract Water Purchase Agreement Between Tennessee American Water Company and the City of Fort Oglethorpe, Georgia

Dear Mr. Waddell:

Enclosed please find original and 13 copies of a Water Purchase Agreement dated October 23, 2000 by and between Tennessee American Water Company and the City of Fort Oglethorpe, Georgia for approval of the Directors of the Tennessee Regulatory Authority pursuant to Rules 1220-4-1-07 Special Contracts and 1220-4-1-08 Resale of Water of the Rules of the Authority.

As you will notice this is an extension of a previous agreement between the parties that was approved by the Authority in Docket No. 97-00223 by Order dated March 10, 1997. The terms and conditions as to the water are practically the same, but there is a Schedule A attached to the contract and made a part thereof, which is a description of certain non-regulated services which the City may purchase and the terms and conditions and hourly rates of those services.

We are also attaching a copy of Page 5 of the October 23, 2000 minutes of the City Counsel of Fort Oglethorpe. Item 4 recites that the City Counsel is approving this contract unanimously. Also I am enclosing a copy of a unanimous Consent by the Board of Directors of Tennessee American Water Company, without a meeting, dated as of November 1, 2000 approving the Contract.

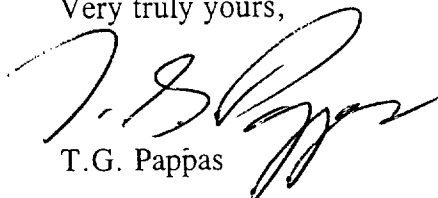
The approval of this Extension Agreement and Service Agreement would allow the Company to continue furnishing water to the City of Oglethorpe, Georgia for resale to its customers at the same and non-discriminatory price and under the same conditions as it has in the past and it would benefit the town of Fort Oglethorpe, Georgia and its residents by providing a good, clean, dependable water

Mr. K. David Waddell
December 12, 2000
Page 2

supply at fair and affordable prices. If you have any questions concerning this contract, do not hesitate to call me or Mr. Bill L'Ecuyer at (423) 755-9307.

With kindest regards, I remain

Very truly yours,

A handwritten signature in black ink, appearing to read 'T.G. Pappas', written over the typed name.

T.G. Pappas

Enclosures

cc: William F. L'Ecuyer
Herbert A. Miller, Jr., Esq.
Roy Ferrell
Daniel R. Bailey
Cynthia Kinser, Esq.
Richard Collier, Esq.(w/o enclosures)

TGP2161281.1

WATER PURCHASE AGREEMENT

THIS WATER PURCHASE AGREEMENT ("Agreement"), made this 23RD day of _____
OCT., 2000 by and between

Tennessee-American Water Company ("Tennessee-American"),
located at 1101 Broad Street, P.O. Box 6338, Chattanooga,
Tennessee

and

City of Fort Oglethorpe, Georgia ("Ft. Oglethorpe"), located at
500 City Hall Drive, Fort Oglethorpe, Georgia

WHEREAS, Tennessee-American, a Tennessee corporation is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa; and

WHEREAS, Ft. Oglethorpe wishes to continue to purchase all or substantially all of its water supply from Tennessee-American; and

WHEREAS, Tennessee-American currently supplies substantially all of the water to Ft. Oglethorpe and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Ft. Oglethorpe; and

WHEREAS, Ft. Oglethorpe and Tennessee-American are desirous of extending its existing agreement for the purchase of water for a fixed period of time and amending said agreement for the purchase of certain services from Tennessee-American; and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water and services which they now desire to record in writing;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION I

SALE OF WATER

Ft. Oglethorpe agrees to purchase from Tennessee-American, a minimum of 273,750,000 gallons per year. Ft. Oglethorpe agrees to pay \$.95 per one-thousand gallons (the "\$.95 Rate") for the first 35,000,000 gallons each month. Water purchased in excess of 35,000,000 gallons per month shall be paid at the rate of \$0.74 per one-thousand gallons. Such rates shall not be increased during the initial term of the Agreement.

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Ft. Oglethorpe during the prior twelve-month period year. Should Ft. Oglethorpe's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at the \$.95 Rate.

SECTION II

FLUORIDATION AND TREATMENT OF WATER SUPPLY

The Company will fluoridate the water supplied to the City of Fort Oglethorpe, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1-17(20), which requires the maintenance of a monthly average concentration of fluoride at the Point of Delivery between 0.9 mg/1 and 1.3 mg/1, unless required to do otherwise by applicable Tennessee state law or regulations. Any treatment of the water after the Point of Delivery shall

be the responsibility of Ft. Oglethorpe, unless otherwise agreed to in writing between the parties. Upon request, the Company will provide documentation as to water quality.

SECTION III

METERING

Metering of the water sold under this Agreement shall be at the Point of Delivery. Meters shall be installed by Tennessee-American that will allow for the flow of water into Ft. Oglethorpe's water distribution system for ease of controlling/operating the pumping facilities providing water to Ft. Oglethorpe.

SECTION IV

BILLING

On or before the tenth day of each month, Tennessee-American will issue an invoice to Ft. Oglethorpe for Ft. Oglethorpe's metered usage during the prior month. Payment of such invoice must be made by Ft. Oglethorpe within eighteen days after receipt of the invoice. Late fees shall be imposed pursuant to the tariff filed with the Tennessee Regulatory Authority, as amended from time to time.

SECTION V

APPROVALS

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA") and the Tennessee-American Board of Directors. Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

SECTION VI

INITIAL TERM OF AGREEMENT AND RENEWAL PERIODS

The initial term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods with three (3) optional three (3) year renewal periods. This Agreement will automatically renew on the same terms and conditions unless Ft. Oglethorpe notifies Tennessee American in writing that it affirmatively elects to not renew the Agreement no later than six (6) months prior to the termination date of the initial terms or any renewal term thereafter.

The water rates set forth in Section I are subject to increase during any renewal period as may be approved by the TRA. Tennessee-American will give Ft. Oglethorpe twelve (12) months prior written notice of any such rate increase and said rates are only subject to increase once per each renewal period.

The initial term shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA. Tennessee American shall notify Ft. Oglethorpe in writing of the date constituting the effective date of the purchase of water under this Agreement, once said date is established. No later than nine (9) months prior to the termination date of the initial terms or any renewal term thereafter, Tennessee-American shall notify Fort Oglethorpe in writing of the upcoming termination date.

SECTION VII

FORCE MAJEURE

Neither Ft. Oglethorpe or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, droughts, washouts, civil disturbances, explosions, defects, leakage, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Ft. Oglethorpe from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of complete interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

In the event of any type of water curtailment or interruption event, or any procedure, regulation or law for curtailment or interruption is utilized by, or imposed upon, Tennessee-American, then Ft. Oglethorpe shall abide by such curtailment or interruption procedures so as to restrict its customers in a fashion similar to affected customers of Tennessee-American.

SECTION VIII

EXTENSION OF AGREEMENT

This Agreement may be renegotiated for additional periods of time beyond the initial term of this Agreement and the renewal periods set forth in Section VI. Negotiations to extend the term of this Agreement beyond the last renewal period shall commence no later than six (6) months prior to the expiration date. However, the rates to be charged during any extension period and any renegotiated conditions shall be subject to prior approval by TRA.

SECTION IX

REPRESENTATIONS, COVENANTS AND INDEMNITY

(1) Authority

Ft. Oglethorpe represents and covenants that, at all times, it has the authority to enter into this Agreement, that no other requirements exist for this Agreement to be enforceable and that nothing in this Agreement is in violation, or will cause a violation, of any other contract, obligation or law to which Ft. Oglethorpe is subject.

(2) Resale

Ft. Oglethorpe may resell to another water re-seller any water purchased from Tennessee-American, provided Ft. Oglethorpe gives Tennessee-American ninety (90) days prior written notice. If Fort Oglethorpe enters an agreement to resell water purchased from Tennessee-American to another water re-seller, Fort Oglethorpe remains responsible for compliance with Section IX(3).

(3) **Inter-basin Transfer**

Ft. Oglethorpe acknowledges that none of the water it receives from Tennessee-American may be transferred, either directly or indirectly, outside the Lower Tennessee-Hiwassee River Basin, as that basin is defined by the Tennessee Department of Environment and Conservation ("TDEC"), unless Tennessee-American first obtains a permit for such transfer from TDEC.

Ft. Oglethorpe certifies and agrees that none of the water it receives from Tennessee-American will be transferred, either directly or indirectly, outside the Lower Tennessee-Hiwassee River Basin, as that basin is defined by TDEC, unless: (1) Ft. Oglethorpe provides Tennessee-American with 90-days prior notice of its intent to transfer such water outside the above-named basin, and (2) Ft. Oglethorpe receives notification from Tennessee-American that the proposed transfer has been approved by TDEC through the requisite permitting process.

Ft. Oglethorpe agrees to cooperate fully with Tennessee-American and TDEC and provide any documentation, records, or other assistance requested by Tennessee-American or TDEC throughout any required permitting process.

Ft. Oglethorpe agrees to indemnify Tennessee-American for the amount of any permit application fee Tennessee-American is assessed as a result of Ft. Oglethorpe's intent to transfer any water it received from Tennessee-American outside the Lower Tennessee-Hiwassee River Basin, as that basin is defined by TDEC.

Ft. Oglethorpe agrees to indemnify Tennessee-American for any fines, fees, or penalties Tennessee-American is assessed, or any costs Tennessee-American incurs due to any action on the part of Ft. Oglethorpe that results in a violation of any permitting requirement.

On September 1 of each year, Ft. Oglethorpe agrees to provide Tennessee-American with a statement, signed under oath, certifying that during the previous calendar year, Ft. Oglethorpe

has not directly or indirectly transferred any of the water it receives from Tennessee-American outside the Lower Tennessee-Hiwassee River basin, as that basin is defined by TDEC.

(4) **Indemnification**

Ft. Oglethorpe hereby indemnifies and holds Tennessee-American harmless from and against any claim, demands, penalties, actions, judgments, and losses or liabilities whatsoever, arising from or in connection with its breach or violation of this Agreement.

SECTION X

AFFIDAVITS

Prior to the effective date of this Agreement, and at any time during this Agreement upon reasonable notice, Ft. Oglethorpe agrees to provide an affidavit (or certificate, at the discretion of Tennessee-American) which represents and covenants that it is not in breach or any violation of this Agreement, nor has it any knowledge of any fact which, by the passage of time, will cause it to be in breach or violation of this Agreement.

SECTION XI

SERVICES

During the term of this Agreement, Tennessee-American may provide to Ft. Oglethorpe, certain non-regulated services ("Services") which are set forth in Schedule A, which is attached hereto and incorporated herein by reference. In the event such Services are provided, Ft. Oglethorpe agrees to pay Tennessee-American for such Services at the rates and charges set forth in Schedule A, as such may be amended from time to time by Tennessee-American upon giving Ft. Oglethorpe sixty (60) days advance notice.

Tennessee-American may add or discontinue Services to be offered under this Agreement upon written notice to Ft. Oglethorpe.

Tennessee-American reserves the right to enter into such separate agreements, contracts, work orders or other arrangement with Ft. Oglethorpe in order to adequately address the scope and performance of the specific Services to be provided to Ft. Oglethorpe.

Charges and rates for the Services shall be billed and paid, at the determination of Tennessee-American, either monthly along with Ft. Oglethorpe's metered usage according to Section V above, or on such other terms and conditions as directed by Tennessee-American.

SECTION XII

MISCELLANEOUS PROVISIONS

(1) Assignment

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Ft. Oglethorpe to any successor in the operation of the facilities currently owned by Ft. Oglethorpe.

(2) Notices

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U.S. mail, personal delivery or by overnight carrier to the other party at the address set forth below:

City of Ft. Oglethorpe, Georgia
500 City Hall Drive
Ft. Oglethorpe, Georgia 30742
Attn: City Manager

Tennessee-American Water Company
1101 Broad Street
P.O. Box 6338
Chattanooga, Tennessee 37401
Attn: President

Any notice so given shall be deemed given upon its deposit in the U.S. mail, upon personal delivery or upon its delivery to the overnight carrier.

(3) **Governing Law And Venue**

This Agreement shall be governed by the laws of the State of Tennessee, which state shall also be the venue for any actions arising under this Agreement.

(4) **Enforceability**

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement. Titles to any section or subsection in this Agreement are for assistance in identification only and shall not be used to determine the enforceability of any provision of this Agreement.

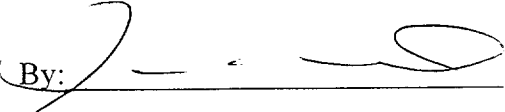
(5) **Entire Agreement**

This Agreement constitutes the entire Agreement between Ft. Oglethorpe and Tennessee-American with respect to the subject matter contained in the Agreement, except that Ft. Oglethorpe is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No

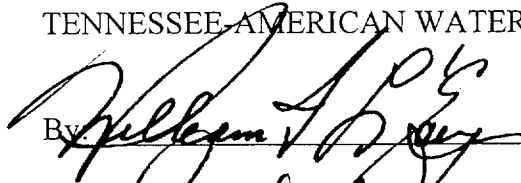
modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties.

CITY OF FORT OGLETHORPE, GEORGIA


TENNESSEE AMERICAN WATER CO.

By: 

Its: MAYOR

By: 
Its: President

ATTEST:


Its: City Clerk

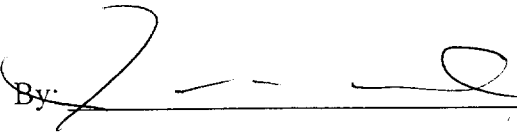
SCHEDULE A

The following Schedule of Services is a general description of non-regulated Services which may be purchased on the terms and conditions, including hourly rate, which may be stated below. The actual scope of any Services to be performed and charges thereon may vary with the facts of each engagement. Therefore, each Service to be provided may be delineated in a specific contract, work order or other agreement.

<u>General Type of Service</u>	<u>Fee</u>
1. System Flushing	\$400 per hour
2. Leak Detection	\$121 per hour
3. Valve Maintenance	\$121 per hour
4. Identification of Operation and Maintenance Problems	\$ 62 per hour
5. Fire hydrant flow-testing and maintenance	\$ 87 per hour
6. Water Quality Sampling for bacteria & chlorine analysis	\$ 41 per hour
7. Repair of Main Breaks	\$175 per hour, plus materials
8. Back Flow Valve Testing	\$ 41 per hour
9. Construction Inspection Services	\$ 51 per hour
10. Field Estimations for Main Extensions	\$ 61 per hour
11. Loss Control Services	\$ 64 per hour
12. Meter Testing (larger than 2-inch)	\$117 per hour, plus materials
13. Meter Change-out	\$ 68 per hour, plus materials
14. Meter Reading	\$ 35 per hour
15. Monthly Billing Services	\$0.405 per bill
16. Customer Services for Telephone Inquiries for Name Changes, Turn-Ons, Turn-Offs, Balance Inquiries, etc.	\$ 30 per hour

Some minimum charges per Service may exist and will set forth with each specific contract or work order.

City of Ft. Oglethorpe, Georgia

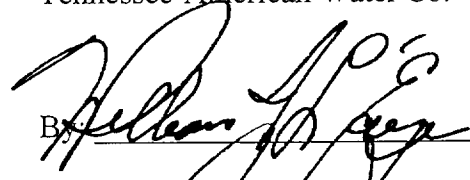
By:  _____

Title: MAYOR

ATTEST:

 _____
Its: City Clerk

Tennessee-American Water Co.

By:  _____
Title: President

Tennessee-American Water Company

Unanimous Consent of Directors
(Without a Meeting)

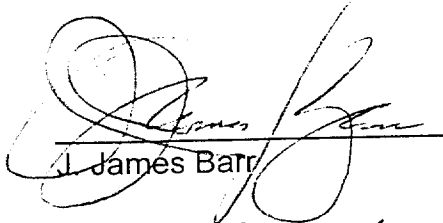
The undersigned directors, being all of the directors of Tennessee-American Water Company, do hereby consent in writing to the adoption of the following Resolutions, and do further agree that such Resolutions shall have the same force and effect as though duly adopted at a meeting of such directors duly called and held:

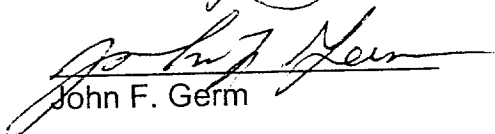
RESOLVED, the Board of Directors of Tennessee-American Water Company (the "Water Company") hereby approves a water purchase agreement with the City of Ft. Oglethorpe, Georgia to sell a minimum of 273,750,000 gallons of potable water per year for a period of three years and providing for services to Ft. Oglethorpe on an hourly basis.

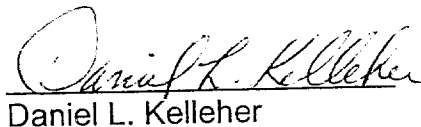
FURTHER, RESOLVED, that the President and other appropriate officers are authorized to execute said lease and any agreements, instruments or other documents necessary to effect the terms of said agreement.

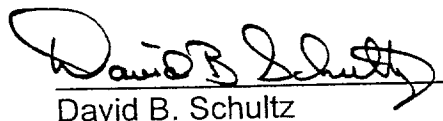
FURTHER, RESOLVED, that this Unanimous Consent may be executed in counterparts.

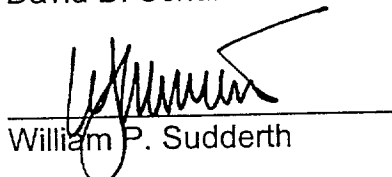
This action of the Directors shall be effective as of November 1, 2000.

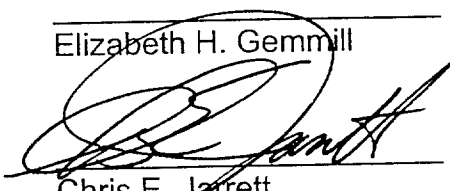

J. James Barr



John F. Germ

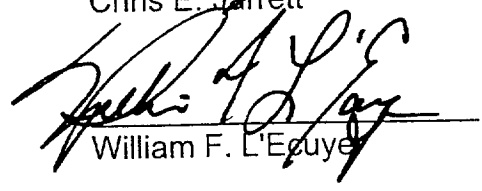

Daniel L. Kelleher

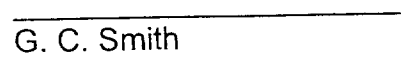

David B. Schultz

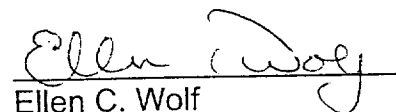

William P. Sudderth


Elizabeth H. Gemmill


Chris E. Jarrett


William F. L'Ecuyc


G. C. Smith


Ellen C. Wolf

Tennessee-American Water Company

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(Without a Meeting)

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FURTHER, RESOLVED, that this Unanimous Consent may be executed in counterparts.

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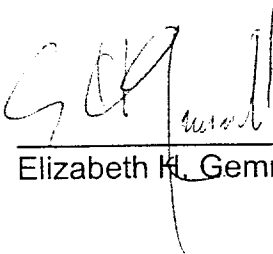
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Tennessee-American Water Company

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Ellen C. Wolf

CITY COUNCIL MINUTES - MEETING OF OCTOBER 23, 2000
PAGE 5

4. Water Contract

Mr. Steve Farrow explained the highlights of the current contract. The City of Fort Oglethorpe continues to pay .95 per thousand gallons up to 35 million gallons each month. If the city exceeds that amount the rate will go down to .74 per thousand gallons. That rate will not be increased for a period of three years. Minimum purchase amounts will stay the same. There is a provision that the rate could go up provided the rate increase involves Tennessee customers and can only go up once per extension period. This contract could be extended for three additional periods of three years which would be a total of 12 years. Each Mayor and Council would have the opportunity not to extend the contract if they so chose, with a 6-month notice, prior to termination of the contract.

The City will now have the ability to re-sale water, they need to give (90) days prior notice if they choose to do so.

Motion by **Mr. Hughes** to approve the contract. Seconded by **Mr. Hall**. Vote was unanimous. **Motion carried.**

Mr. Ronnie Cobb commended the Mayor and Council on negotiating such a good water contract with Tennessee American Water Company.

5. Fire Department
(a) Personnel

Chief Randy Camp recommended hiring the following applicants:

Glenn Davis - Fire Marshal - grade 18-A

Motion by **Mr. Marshall** to hire Mr. Davis. Seconded by **Ms. Moye**. Vote was unanimous. **Motion carried.**

Timothy Rogers - Fire Sergeant - grade 13-A

Motion by **Mr. Hall** to hire Mr. Rogers. Seconded by **Mr. Marshall**. Vote was unanimous. **Motion carried.**

Marvin Douglas Flury, II - Fire Lieutenant - grade 14-A

Motion by **Mr. Hughes** to hire Mr. Flury. Seconded by **Mr. Hall**. Vote was unanimous. **Motion carried.**

Mayor Burkhardt conducted the swearing in ceremony for the three new employees.